

AMENDING THE FIRE AND CASUALTY ACT OF THE
DISTRICT OF COLUMBIA

DECEMBER 17 (legislative day, DECEMBER 15), 1943.—Ordered to be printed

Mr. BURTON, from the Committee on the District of Columbia,
submitted the following

REPORT

[To accompany S. 1028]

The Committee on the District of Columbia, to whom was referred the bill (S. 1028) to amend the Fire and Casualty Act of the District of Columbia, having considered the same, report favorably thereon, with amendments, and recommend that the bill as amended do pass.

The amendments proposed by your committee are:

(1) On page 1, line 5, strike out the citation "54 Stat. 1063", and insert in place thereof "54 Stat. 1066".

(2) On page 2, line 5, strike out "only by check or money order drawn to the order of" and insert "through the office of the Superintendent to the".

(3) On page 2, line 7, before the word "title", insert "54 Stat. 1079".

(4) On page 2, lines 18 and 19, strike out "only by check or money order drawn to the order of", and insert "through the office of the Superintendent to the".

(5) On page 2, line 21, before the word "title", insert "54 Stat. 1078".

(6) On page 3, line 7, before the word "title", insert "54 Stat. 1080".

(7) On page 3, line 13, after the word "company", strike out the comma.

Amendments proposed by your committee are two kinds. Amendments Nos. 1, 3, 5, and 6 are solely for the purpose of achieving uniformity in citations, and make no change in the provisions of the bill. Amendments Nos. 2 and 4 are identical in nature and have as their purpose elimination of a provision which, in the opinion of your committee, would constitute in effect a basic change in the law governing legal tender in the United States. It is not believed such a change was intended and a provision having such a broad effect is out of place in a bill of this nature. The language of the proposed amend-

ment meets the intention of the bill, in the opinion of your committee. Amendment No. 7 is a clarifying amendment to avoid doubt as to the relation of the phrase following the comma that is to be omitted.

An open public hearing on this bill was held Friday, October 8, at which time all persons desiring to testify were given an opportunity to do so. The bill was not opposed by any witness.

Albert F. Jordan, Superintendent of Insurance, testified that the bill had been drafted by his office, and is recommended by him.

The first section of the bill adds a new alternative money penalty for offenses now enumerated in the Fire and Casualty Act of 1940. It thus authorizes the imposition of a lesser penalty than is now authorized. Under existing law, the only penalty which can be imposed is the severe one of revocation or suspension of the company's certificate of authority to transact business in the District. As a result, the Superintendent of Insurance sometimes is faced with the alternative of ignoring minor violations, with the consequent danger of breeding disrespect for the law, or of imposing a sentence entirely out of proportion to the seriousness of the offense.

Provisions similar to that proposed in section 1 of this bill now are in effect in New York, Pennsylvania, Michigan, Nebraska, Louisiana, Oklahoma, and Virginia.

Section 2 is similar in effect to section 1, except that section 1 applies to companies and their certificates of authority to do business while section 2 applies to individuals and their licenses as agents, brokers, etc.

Section 3 reduces the amount of bond required to be posted by brokers, from \$5,000 principal sum to \$1,000. This change was strongly supported by the Superintendent of Insurance on the grounds that the original provision for a \$5,000 bond was made without any experience to justify it, and that experience has shown a bond in the principal sum of \$1,000 would afford sufficient protection. Reduction of the bond would permit registration as brokers by a number of persons in the District who are qualified to act as brokers but who find the premium on the presently required \$5,000 bond too much to pay.

Reduction in the amount of the bond was opposed by only one witness, representing the Insurors Association of the District of Columbia. This witness stated his association would like the amount of the bond retained at \$5,000, but stated this was "considered a minor matter" and that his organization is "very definitely of the opinion that if such a change would jeopardize the acceptance and passage of the bill, they would withdraw the objection." This witness, who stated he spoke from the company point of view, pointed out that insurance companies as well as the public may have recourse to brokers' bonds; but added that "I guess the companies are pretty well able to take care of themselves." It should be noted that while the language of the proposed amendment would reduce the minimum bond to \$1,000, it would permit the Superintendent to require a larger bond in any case where he considered a larger bond to be desirable.

Section 4 strengthens the regulation of agents and brokers by providing two additional causes of revocation of licenses. As a matter of policy, it is considered desirable to restrict the placement of policies in unauthorized companies as far as possible. The existing law was drafted with this end in mind and provides in effect that a broker or

agent may not place a risk with an unauthorized company unless, after diligent effort, he has been unable to procure from duly authorized companies the policies or contracts required to protect the property or risk. The language of the amendment proposed in section 4 would close up two loopholes in this law by making it impossible for a broker or agent to justify placement of a risk with an unauthorized company merely by demanding abnormal provisions in the policy or by demanding a cut rate. In this respect, the proposed amendment is in accord with public policy, and your committee believe it will be a further protection against misrepresentation and fraud.

This bill is approved by the Commissioners of the District of Columbia. A letter from the President of the Board of Commissioners to the chairman of the Committee on the District of Columbia, submitting and recommending this bill, is as follows:

MARCH 25, 1943.

HON. PAT MCCARRAN,

Chairman, Committee on the District of Columbia,

United States Senate, Washington, D. C.

MY DEAR SENATOR MCCARRAN: The Commissioners of the District of Columbia have the honor to submit to you herewith a draft of a proposed bill to amend the Fire and Casualty Act of the District of Columbia.

The purpose of sections 1 and 2 of the amendment is to impose more equitable punishment for minor infractions of the insurance laws and regulations than that now imposed by sections 3 and 36 of chapter II of the Fire and Casualty Act. These two sections of the Fire and Casualty Act require suspension or revocation of the certificate of authority or the license to write fire and casualty insurance in the District for violations of any of the offenses there enumerated. There is no provision for a less severe penalty and consequently the Superintendent of Insurance must either impose no penalty whatever for relatively minor offenses or must impose a penalty of unwarranted severity. It is believed that the provisions contained in sections 1 and 2 of the proposed bill would permit the Superintendent to impose penalties more equitably and with less hardship upon innocent policyholders and members of the public who might be inconvenienced by revocation or suspension of the licenses of companies or agents. Frequently offenses may not be sufficiently serious to warrant inconvenience to the public or hardship upon policyholders, but may show such a disregard of the law as to require the imposition of some penalty. If the law permitted penalties upon the perpetrators of minor offenses without imposing the more severe penalty of suspension or revocation, it is believed that such provision would cause greater respect for the law and would aid in departmental administration of the insurance laws. Sections 1 and 2 of the proposed bill therefore are not for the purpose of giving to the Superintendent of Insurance greater authority, but for the purpose of permitting a more just administration of the law by imposing an appropriate penalty upon the guilty person without disturbing innocent policyholders.

The penalty provisions proposed are somewhat similar to provisions in the statutes of the States of New York, Pennsylvania, Michigan, Nebraska, Louisiana, Oklahoma, and Virginia. The maximum penalties provided in the statutes of the States just named range from \$200 to \$1,000.

The purpose of section 3 of the proposed bill is to reduce the amount of surety bonds required of brokers from \$5,000 to \$1,000. Experience under the Fire and Casualty Act, approved October 9, 1940, has demonstrated that the amount of the bond there required is excessive and imposes unnecessary hardships upon licensed brokers. Because of the excessive amount of the bond those who ordinarily would obtain a broker's license are operating under some other form of license. The reduced amount of the bond is more nearly in line with requirements in other jurisdictions. It is believed that if the amount of the bond were reduced, more brokers' licenses would be issued, resulting in some increase in revenues from this source.

The amendment contained in section 4 of the proposed bill is for the purpose of more clearly defining the provisions of the Fire and Casualty Act relating to the authority of licensees to procure policies from companies not authorized to do business in the District of Columbia. The Fire and Casualty Act gives preference to authorized companies and agents of authorized companies. The majority

of these authorized companies are domiciled in the States. Section 40 of the Fire and Casualty Act was intended to accommodate persons who, because of some peculiar circumstance, are unable to obtain insurance from companies authorized in the District. The suggested amendment more clearly defines the authority in respect of agents who may assist in diverting normal business from companies authorized in the District of Columbia which are subject to local jurisdiction.

You are advised that the proposed legislation has been submitted to the Bureau of the Budget and no objection has been made to the presentation of the bill to the Congress.

Respectfully,

JOHN RUSSELL YOUNG,
President, Board of Commissioners, District of Columbia.

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